

RD AN No. 3680 (1980-D)
November 1, 2001

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors
Guaranteed Rural Housing Specialists
Rural Development Managers
Community Development Managers

FROM: James C. Alsop *(Signed by Obediah Baker)* for
Acting Administrator
Rural Housing Service

SUBJECT: Single Family - Guaranteed Rural Housing
Foreclosure Sale Bids

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance for foreclosure sale bids for Single Family Guaranteed Rural Housing (SF-GRH) loans.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

When security property value is less than the debt and the cost of acquiring, managing and selling Real Estate Owned (REO) property will increase the loss to the lender and the Government, it is in the mutual interest of the lender and the Government, as guarantor, to encourage third-party bidding by entering a foreclosure sale bid less than the value of the property. REO costs, including accrued interest on the unpaid principal balance, will typically be a minimum of 15 percent of the fair market value of the property, as supported by a current appraisal or broker's price opinion. The appraisal or broker's price opinion should be based on an "as-is" condition and a 90-day marketing timeframe. If the interior of the security property is not accessible, the value may be determined based on exterior inspection only.

EXPIRATION DATE:
October 31, 2002

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

In order to encourage third-party bidding and minimize loan losses associated with REO, the lender may enter a foreclosure sale bid at 85 percent of the fair market value.

The National Office will advise Nationally-approved lenders and State SF-GRH contacts will advise their State-approved lenders of this policy by distribution of copies of this AN.

Questions regarding this AN should be directed to the appropriate State SF-GRH staff or to Joyce M. Halasz, Sr. Realty Specialist, Single Family Housing Guaranteed Loan Division, National Office, at (202) 720-1456.